



DEFENSE CONTRACT AUDIT AGENCY
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PIC 730.5.20.1

28 January 1999
99-PIC-012(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA**

SUBJECT: Audit Guidance Addressing an Electronic Timekeeping System Internal Control Deficiency

This memorandum is issued to:

- alert auditors of a potential internal control deficiency found in a commonly used automated timekeeping system, and
- to emphasize the current guidance to address the deficiency if found in a contractor's system.

BACKGROUND

Auditors found that a commonly used timekeeping software package allows an employee to revise the number of hours worked during a day without documenting/explaining the change, resulting in the absence of an audit trail. Input changes can be made by the employee without it being documented until the timesheet is electronically approved by the supervisor. Once the timesheet is approved, the entries are locked. All changes made after supervisory approval are documented by the automated timekeeping system.

GUIDANCE

The condition, as stated above, represents an internal control deficiency within the contractor's automated timekeeping system (but not necessarily a significant deficiency). The automated timekeeping system does not meet the *timekeeping* control objective of an adequate labor system as presented in CAM 5-909 and restated below:

Assure that labor hours are accurately recorded and that any corrections to timekeeping records are documented, including appropriate authorizations and approvals.

In addition, CAM 5-909.2e further identifies an audit trail process that collects all **initial** entries and subsequent changes as one of the key processes in an automated timekeeping system that provides for accurate and current recording of labor hours.

**SUBJECT: Audit Guidance Addressing an Electronic Timekeeping System Internal Control
Deficiency**

If the above deficiency is found and determined significant, auditors should follow the guidance contained in CAM 5-110a(4) and CAM 5-110c for reporting the internal control deficiency. In addition, an assessment of moderate or high risk should be made and the required audit effort on other related effort (e.g., floor checks, labor cost and allocation review) should be increased. If the deficiency is not considered significant, it should be reported as a "Suggestion to Improve the System" (CAM 5-110a(5) and 10-408a(2)(b)) and should also be considered in planning the audit scope for related audit effort.

CLOSING REMARKS

If FAO personnel have any questions, they should contact their regional personnel. If regional personnel have any questions, they should contact Ken Saccoccia, Program Manager, Incurred Cost Division, at 703/767-2250; fax 703/767-2283; or E-mail, *pic@hq1.dcaa.mil.

/s/

Lawrence P. Uhlfelder
Assistant Director
Policy and Plans

DISTRIBUTION: C